

Press release 15 February 2010

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Preliminary agreement signed on EstLink 2 cable connection

Fingrid and Elering, which are responsible for the electricity transmission systems in Finland and Estonia respectively, have signed a preliminary agreement concerning the construction of a second direct current link, EstLink 2, between the two countries. The capacity of the planned transmission link is 650 megawatts and the costs of the project total approx. 300 million euros.

Preliminary planning by the Finnish and Estonian transmission system operators for the joint project has progressed swiftly, and the preliminary agreement between the two companies was signed in Tallinn today. The preliminary agreement will be followed by a final capital investment decision if the wholesale market of electricity opens in Estonia as planned and if the European Union's co-funding of 100 million euros for the project becomes reality. The final agreement between the parties on the project will be signed after the capital investment decision.

At present, there is one 350 megawatt direct current connection between Finland and Estonia. The new transmission link being planned would raise the total electricity transmission capacity between the countries to approx. 1,000 megawatts. The new link will be brought to commercial operation no sooner than the end of 2013. The new connection will integrate the Baltic electricity market closer to the Nordic market and contribute to the supply security of electricity in the Baltic countries.

EstLink 2 is one of the reinforcements in the electricity transmission system suggested by the transmission system operators in the Baltic Sea region. The new link is needed to develop the electricity market in the area of the Baltic Sea. The Commission of the European Union also considers the transmission connection between Finland and Estonia as very important, which is why it has proposed an EU subsidy of 100 million euros for the EstLink 2 connection. However, the subsidy requires that the project must be launched in 2010. The potential subsidy is part of a broader recovery package of the EU, aiming to stimulate economic activity in the Union and also support the strategic objectives, such as improved security of energy supply in the Baltic countries.

The electricity market in the Baltic Sea region has been developed through collaboration between the transmission system operators in the region and Nord Pool Spot. As part of the enhancement of the electricity market, the Nordic electricity exchange will expand to Estonia on 1 April 2010, when price area Estlink will be introduced. The pivotal objective of the electricity exchange is to create a reliable market price for electricity throughout the Baltic region. In the next stage, the goal is to integrate the electricity markets in Latvia and Lithuania to Nord Pool Spot's trading system.

- EstLink 2 is an important step in our vision of creating a common Baltic Sea region electricity grid. It gives benefits to the whole region in the form of increased security of supply and more efficient electricity market. The grid is also needed to meet the climate targets of the countries around the Baltic Sea, Fingrid's CEO **Jukka Ruusunen** commented on the signed preliminary Agreement in Tallinn today.

CEO of Elering **Taavi Veskimägi** added, the preliminary (Framework) Agreement on Estlink 2 gives good basis to proceed electricity market opening in Estonia.

- EstLink 2 project is a corner-stone of Estonian security of supply to proceed with market opening and integrating markets of Baltic and Scandinavian countries. We've learnt by this project of Fingrid's

knowledge, which is the stimulator of integrating process of Baltic and Nordic electricity markets, Veskimägi said.

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